

SUMMARY OF FINANCIAL STATEMENTS (Consolidated)

For the First Six Months of the Fiscal Year Ending March 2015

November 6, 2014

NTT URBAN DEVELOPMENT CORPORATION

Code Number: 8933

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Supplementary documents for quarterly results: Yes

Quarterly results briefing: Yes (for institutional investors and analysts)

Stock Exchange: Tokyo Stock Exchange

URL: <http://www.nttud.co.jp/english/>

(Note that all amounts have been rounded down to the nearest million yen, unless otherwise specified.)

1. Consolidated Financial Results for the First Six Months of the Fiscal Year Ending March 2015

(April 1, 2014 through September 30, 2014)

(1) Consolidated Results of Operations (cumulative)

(Figures in percentages denote the year-on-year change)

| | Operating revenue | | Operating income | | Ordinary income | | Net income | |
|-------------------------------------|-------------------|-------|------------------|--------|-----------------|--------|-------------|--------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Six months ended September 30, 2014 | 74,379 | (9.3) | 13,270 | (25.5) | 11,142 | (23.9) | 6,959 | (21.3) |
| Six months ended September 30, 2013 | 82,011 | 3.8 | 17,820 | (0.9) | 14,637 | (4.1) | 8,838 | (7.2) |

(Note) Comprehensive income: Six months ended September 30, 2014: 8,104 million yen (22.4%)
Six months ended September 30, 2013: 10,444 million yen (1.0%)

| | Net income per share | | Net income per share (fully diluted) | |
|-------------------------------------|----------------------|--|--------------------------------------|--|
| | Yen | | Yen | |
| Six months ended September 30, 2014 | 21.15 | | — | |
| Six months ended September 30, 2013 | 26.85 | | — | |

(2) Consolidated Financial Position

| | Total assets | Net assets | Ratio of shareholders' equity to total assets |
|--------------------------|--------------|-------------|---|
| | Million yen | Million yen | % |
| As of September 30, 2014 | 977,256 | 233,411 | 19.5 |
| As of March 31, 2014 | 985,507 | 228,591 | 18.8 |

(Reference) Shareholders' equity: As of September 30, 2014: 190,496 million yen
As of March 31, 2014: 185,616 million yen

2. Dividends

| | Dividends per share | | | | |
|---------------------------------------|------------------------|------------------------|------------------------|----------|--------|
| | End of the 1st quarter | End of the 2nd quarter | End of the 3rd quarter | Year end | Annual |
| | Yen | Yen | Yen | Yen | Yen |
| Year ended March 31, 2014 | — | 800.00 | — | 8.00 | — |
| Year ending March 31, 2015 | — | 8.00 | | | |
| Year ending March 31, 2015 (Forecast) | | | — | 8.00 | 16.00 |

(Note) Revisions to dividends forecast published most recently: No

The Company implemented the 100-for-one stock split for its common shares with October 1, 2013 as the effective date and adopted the unit share system that sets one share unit at 100 shares. For dividends at the end of the 2nd quarter of the fiscal year ended March 31, 2014, the amounts before the stock split are stated.

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 2015 (April 1, 2014 through March 31, 2015)

(Figures in percentages denote the year-on-year change)

| | Operating revenue | | Operating income | | Ordinary income | | Net income | | Net income per share |
|--------|-------------------|--------|------------------|--------|-----------------|--------|-------------|--------|----------------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| Annual | 153,000 | (19.1) | 23,000 | (24.5) | 18,500 | (25.6) | 10,000 | (11.8) | 30.38 |

(Note) Revisions to earnings forecast published most recently: Yes

* Notes

- (1) Important changes in subsidiaries for the three months ended September 30, 2014 (changes in specified subsidiaries resulting in change in scope of consolidation): Not applicable
- | | |
|------------|---|
| New: | – |
| Exception: | – |

- (2) Application of specific accounting treatment to the preparation of quarterly consolidated financial statements: Not applicable

- (3) Changes in accounting principles and changes or restatements of accounting estimates

- | | |
|--|----------------|
| (i) Changes in accounting principles due to amendment of accounting standards, etc.: | Applicable |
| (ii) Changes in accounting principles other than (i): | Not applicable |
| (iii) Changes in accounting estimates: | Not applicable |
| (iv) Restatement of accounting estimates: | Not applicable |

For more information, refer to “(3) Changes in accounting principles and changes or restatements of accounting estimates” of “2. Matters Relating to Summary Information (Notes)” on page 7 of the accompanying materials.

- (4) Number of shares outstanding (common stock)

- (i) Total number of shares outstanding (including treasury stock) as of the end of each period:

| | |
|---------------------------|--------------------|
| As of September 30, 2014: | 329,120,000 shares |
| As of March 31, 2014: | 329,120,000 shares |

- (ii) Total number of treasury stock as of the end of each period:

| | |
|---------------------------|----------|
| As of September 30, 2014: | – shares |
| As of March 31, 2014: | – shares |

- (iii) Average number of issued shares for each period (cumulative period):

| | |
|---------------------------|--------------------|
| As of September 30, 2014: | 329,120,000 shares |
| As of September 30, 2013: | 329,120,000 shares |

The Company implemented the 100-for-one stock split for its common shares with October 1, 2013 as the effective date and adopted the unit share system that sets one share unit at 100 shares. Number of Shares Outstanding (Common Stock) is calculated as if the stock split had been implemented at the beginning of the previous fiscal year (fiscal year ended March 2014).

* Status of a quarterly review

The quarterly consolidated financial statements under the Financial Instruments and Exchange Act have been reviewed at the time of the announcement of this financial summary.

* Cautionary note regarding use of the Forecast of Financial Results, and other special notations

Descriptions regarding the future, such as the forecast of financial results herein, are calculated based on the information which is available to the Company as of the date hereof. Therefore, they do not constitute a guarantee that they will be realized. Please note that actual results may be different due to various factors. For preconditions underlying the forecasts and notes to the forecasts, refer to “(3) Qualitative information on consolidated earnings forecast” of “1. Qualitative Information on Consolidated Operating Results, etc. for the six months ended September 30, 2014” on page 6 of the accompanying materials.

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1. Qualitative Information on Consolidated Operating Results, etc. for the six months ended September 30, 2014

(1) Qualitative information on consolidated financial results

In the six months ended September 30, 2014, the Japanese economy continued to follow a moderate recovery trend although there were some weaknesses. Looking forward, the economy is expected to recover gradually, reflecting continued improvement in the employment and income environments thanks partly to the effects of government policies, though some weakness will remain for some time to come. However, there is high uncertainty over economic circumstances, given a prolonged backlash against last-minute demand associated with the consumption tax hike and weaker-than-expected economies overseas, which created a risk of the economy facing downward pressure.

In the office leasing market, the vacancy rate continued to improve, and it seems that market rents bottomed out, with some rents rising. Sales in the condominium sales market generally remained steady, backed by the firm buying motivation of consumers due to low interest rates, the expansion of mortgage tax breaks, and other factors. However, a cautious stance can be seen such as a decline in the number of condominiums launched in the market.

In this environment, operating revenue amounted to ¥74,379 million (down ¥7,631 million, or 9.3%), operating income was ¥13,270 million (down ¥4,550 million, or 25.5%), and ordinary income was ¥11,142 million (down ¥3,495 million, or 23.9%). Net income was ¥6,959 million (down ¥1,879 million, or 21.3%).

The table below shows operating revenue by business segment for the six months ended September 30, 2014. Operating revenue in each segment in the text includes inter-segment internal revenues and transfers.

(Million yen)

| Business segment | Six months ended September 30, 2013 (From April 1, 2013 to September 30, 2013) | Six months ended September 30, 2014 (From April 1, 2014 to September 30, 2014) |
|--|--|--|
| Leasing business | 53,339 | 43,613 |
| Residential property sales business | 22,476 | 25,074 |
| Total operating revenue in the reported segments | 75,816 | 68,687 |
| Other | 8,679 | 8,031 |
| Eliminations | (2,484) | (2,340) |
| Total | 82,011 | 74,379 |

(Note1) The numbers do not include consumption tax. Operating revenue in each segment include inter-segment internal revenues and transfers.

(Note2) "Eliminations" refers to internal revenues and transfers duplicated in more than one segment.

1) Leasing business

In the leasing business for the six months ended September 30, 2014, although rent income from existing properties and other income declined, the Company did generate earnings, especially rent income from properties acquired and completed in the previous fiscal year, including 265 Strand (London, United Kingdom) and Resola South Terrace (Fukuoka-shi, Fukuoka).

The vacancy rate for office buildings owned by the Group in the five wards of central Tokyo was down from 6.8% at the end of June 2014 to 5.9% at the end of September 2014. The vacancy rate nationwide increased from 8.1% at the end of June 2014 to 8.3% at the end of September 2014.

In the new building development business, the Company developed projects including the Upper-Level Section Redevelopment Project associated with the reconstruction of the Shibaura Water Reclamation Center [Shinagawa Season Terrace] (Minato-ku, Tokyo), Mejiro 2-Chome Project (tentative name) [Trad Mejiro] (Toshima-ku, Tokyo), and Nihonbashi 2-Chome Project (tentative name) [Urbannet Nihonbashi 2-chome Building] (Chuo-ku, Tokyo).

Chiefly reflecting revenue from the sale of properties posted in the six months ended September 30, 2014 decreased from the same six months in the previous fiscal year, operating revenue amounted ¥43,613 million (down ¥9,725 million, or 18.2%), operating expenses was ¥31,585 million (down ¥4,596 million, or 12.7%), and operating income was ¥12,028 million (down ¥5,129 million, or 29.9%).

The table below shows operating revenue etc. by use of properties in the leasing business. All figures are consolidated results.

(Million yen)

| Classification | | Six months ended September 30, 2013 | Six months ended September 30, 2014 |
|-------------------------|-------------------|--|--|
| Office/Commercial | Operating revenue | 50,173 | 40,208 |
| | Rentable area | 1,209,397 m ² (Of the above, sub-leases: 26,154 m ²) | 1,203,491 m ² (Of the above, sub-leases: 29,764 m ²) |
| Residential/Other | Operating revenue | 3,166 | 3,405 |
| Total operating revenue | | 53,339 | 43,613 |

(Note1) "Rentable areas" figures are as of the end of September of each fiscal year.

(Note2) The rentable area of sub-leases does not include the area that has been agreed upon between the Company and its consolidated subsidiaries.

The table below shows the vacancy rate by area.

| Classification | September 2013 | December 2013 | March 2014 | June 2014 | September 2014 |
|-----------------------------|----------------|---------------|------------|-----------|----------------|
| Five wards of central Tokyo | 6.0% | 7.4% | 6.4% | 6.8% | 5.9% |
| Nationwide | 7.4% | 7.8% | 7.4% | 8.1% | 8.3% |

(Note1) The numbers above are vacancy rate as of the end of each month.

(Note2) Five wards of central Tokyo are Chiyoda-ku, Chuo-ku, Minato-ku, Shibuya-ku and Shinjuku-ku.

2) Residential property sales business

In the residential property sales business for the six months ended September 30, 2014, a total of 528 condominiums, mainly those completed in prior years, were delivered. For the six months ended September 30, 2014, new sales of condominiums such as WELLITH Minami Nagareyama (Nagareyama-shi, Chiba) and WELLITH Nishinomiya-Kitaguchi Con-fu-re Hayashida (Nishinomiya-shi, Hyogo) started. With respect to residential lots and detached house sales, WELLITH Park Shingu Morinomiya (Kasuya-gun, Fukuoka) and other properties were delivered.

For the six months ended September 30, 2014, the Company posted operating revenue of ¥25,074 million (up ¥2,597 million, or 11.6%), operating expenses of ¥21,913 million (up ¥2,246 million, or 11.4%), and operating income of ¥3,160 million (up ¥351 million, or 12.5%), reflecting an increase in the number of condominiums delivered and other factors.

The table below shows operating revenue, etc. in the residential property sales business by operation type and area.

| Classification | | Six months ended September 30, 2013 | | Six months ended September 30, 2014 | |
|---|-------------------------|-------------------------------------|------------------------------------|-------------------------------------|------------------------------------|
| | | Units/Lots | Operating revenue (million yen) | Units/Lots | Operating revenue (million yen) |
| Condominiums | | | | | |
| Units delivered | Tokyo metropolitan area | 300 | 14,804 | 328 | 17,241 |
| | Other regions | 95 | 5,640 | 199 | 7,316 |
| Completed in inventories | | 72 | — | 187 | — |
| Residential Lots, etc. | | | | | |
| Units/Lots delivered | Tokyo metropolitan area | 3 | 92 | 2 | 50 |
| | Other regions | 12 | 1,939 | 29 | 464 |
| Completed in inventories | | 88 | — | 33 | — |
| Residential (Condominiums/Residential Lots, etc.) | | | | | |
| Units/Lots delivered | Tokyo metropolitan area | 303 | 14,896 | 330 | 17,292 |
| | Other regions | 108 | 7,579 | 228 | 7,781 |
| Completed in inventories | | 160 | — | 220 | — |
| Other | | | | | |
| Units/Lots delivered | Tokyo metropolitan area | — | — | — | — |
| | Other regions | — | — | — | — |
| Completed in inventories | | — | — | — | — |
| Operating revenue | | — | 22,476 | — | 25,074 |

(Note1) For joint projects, the number of units, corresponding to the Company's share in the project, is rounded down to the nearest unit.

(Note2) "Completed in inventories" figures are as of the end of September of each fiscal year. The condominiums completed in inventories for the six months ended September 30, 2013 and for the six months ended September 30, 2014 include 11 units and 15 units, respectively, for which a contract has been completed but ownership has not yet been transferred. The residential lots, etc. completed in inventories for the six months ended September 30, 2013 and for the six months ended September 30, 2014 include 53 lots and 25 lots for which a contract has been completed but ownership has not yet been transferred.

(Note3) Of the residential lots, etc. delivered for the six months ended September 30, 2013, 2 lots (collectively worth ¥1,714 million) were delivered through sales of lands.

(Note4) Tokyo metropolitan area includes Tokyo, Kanagawa, Chiba, Saitama, Ibaraki, Gunma and Tochigi prefectures.

3) Other

Operating revenue in other business for the six months ended September 30, 2014 was ¥8,031 million (down ¥647 million, or 7.5%), and operating income was ¥634 million (down ¥138 million, or 18.0%).

(2) Qualitative information on consolidated financial position

1) Consolidated balance sheet

Net assets as of September 30, 2014 increased from the end of the previous fiscal year while assets and liabilities decreased.

(Assets)

Total assets were ¥977,256 million (down ¥8,250 million from the end of the previous fiscal year).

Current assets were ¥115,676 million (down ¥9,674 million). This result was principally attributable to a decrease of ¥11,549 million in notes and operating accounts receivable due to the receipt of proceeds for condominiums sold, a decrease of ¥6,477 million in real estate for sale due to the value of condominiums sold exceeding the value of condominiums completed, and an increase of ¥7,732 million in real estate for sales in process, reflecting purchases of land in the residential sales business and acquisitions of properties for rent exceeding the value of condominiums for sale completed.

Non-current assets were ¥861,580 million (up ¥1,424 million from the end of the previous fiscal year), primarily reflecting a decline of ¥11,592 million due to depreciation, an increase of ¥11,020 million in construction in progress accompanying investments in the Upper-Level Section Redevelopment Project associated with the reconstruction of the Shibaura Water Reclamation Center [Shinagawa Season Terrace], an increase of ¥916 million in investment securities due to an increase of market value of our stock held and among other factors.

(Liabilities)

Total liabilities were ¥743,845 million (down ¥13,070 million from the end of the previous fiscal year). The main factors included an increase of ¥2,020 million in interest-bearing debt, a decrease of ¥6,864 million in notes and operating accounts payable-trade due to payments of condominium construction costs, and a decline of ¥5,020 million in other current liabilities associated with payments of equipment costs.

Interest-bearing debt stood at ¥509,274 million (short-term loans payable of ¥2,215 million, the current portion of long-term loans payable of ¥82,378 million, bonds payable of ¥100,969 million, and long-term loans payable of ¥323,710 million), up ¥2,020 million from the end of the previous fiscal year. Net interest-bearing debt, interest-bearing debt less cash and cash equivalents etc., was ¥489,844 million, an increase of ¥1,499 million from the end of the previous fiscal year.

(Net assets)

Net assets were ¥233,411 million (up ¥4,820 million), primarily reflecting a rise of ¥4,470 million in shareholders' equity.

(ii) Consolidated Cash Flows

Cash and cash equivalents (hereinafter "cash") as of September 30, 2014 increased ¥520 million from the end of the previous fiscal year, to ¥19,319 million. Free cash flow for the six months ended September 30, 2014 decreased ¥6,414 million from the year-ago level, to ¥1,885 million.

(Note) The calculating formula of the free cash flow is as follows:

Free cash flow = Net cash provided by (used in) operating activities + Net cash provided by (used in) investing activities

The following is the situation and factors for each category of cash flow for the six months ended September 30, 2014:

(Net cash provided by (used in) operating activities)

Net cash provided by operating activities was ¥19,787 million, decreasing ¥13,093 million year on year. This was primarily attributable to an increase in cash due to income before income taxes and minority interests of ¥11,030 million, depreciation and amortization of ¥11,592 million.

(Net cash provided by (used in) investing activities)

Net cash used in investing activities was ¥17,901 million, increasing ¥6,678 million year on year, primarily reflecting cash used for the purchase of property, plant and equipment of ¥18,803 million.

(Net cash provided by (used in) financing activities)

Net cash used in financing activities was ¥1,312 million, increasing ¥1,129 million year on year. Major factors included an increase in cash due to proceeds from long-term loans payable of ¥20,000 million and a decrease in cash primarily repayment of long-term loans payable of ¥19,600 million and cash dividends paid of ¥2,632 million.

(3) Qualitative information on consolidated earnings forecast

Considering that it appears feasible to sell some properties in the future, along with some other factors, we have changed our earnings forecast for the fiscal year ending March 2015.

The consolidated earnings forecast for the fiscal year ending March 2015 is as follows:

Consolidated earnings forecast for fiscal year ending March 2015

(Million yen)

| Item | Previous forecast | Revised forecast | Change | Rate of change |
|-------------------|-------------------|------------------|--------|----------------|
| Operating revenue | 148,000 | 153,000 | 5,000 | 3.4% |
| Operating income | 20,000 | 23,000 | 3,000 | 15.0% |
| Ordinary income | 14,500 | 18,500 | 4,000 | 27.6% |
| Net income | 8,000 | 10,000 | 2,000 | 25.0% |

Consolidated segment forecast for fiscal year ending March 2015

(Million yen)

| Item | Previous forecast | Revised forecast | Change | Rate of change |
|-------------------------------------|-------------------|------------------|--------|----------------|
| Operating revenue | 148,000 | 153,000 | 5,000 | 3.4% |
| Leasing business | 85,300 | 90,300 | 5,000 | 5.9% |
| Residential property sales business | 50,500 | 50,500 | — | — |
| Other | 16,800 | 16,800 | — | — |
| Eliminations | (4,600) | (4,600) | — | — |
| Operating income | 20,000 | 23,000 | 3,000 | 15.0% |
| Leasing business | 20,100 | 23,100 | 3,000 | 14.9% |
| Residential property sales business | 4,200 | 4,200 | — | — |
| Other | 1,700 | 1,700 | — | — |
| Eliminations/Corporate | (6,000) | (6,000) | — | — |

With respect to the “Medium-Term Vision 2018” announced on May 9, 2013, the Company does not change its basic policy of “ensuring customer- and market-centered orientation” and “pursuing innovation.” However, the company has revised its business strategies and financial targets, given changes in the market environment, such as rising construction costs, and higher property prices in Tokyo Metropolitan area.

In residential business, the Company shifts away from delivery-oriented strategy to profit-oriented strategies and keep a level of supply at about 1,300 units per year.

In office business, the Company shifts from emphasis on “build-and-own” to “build-and-sell” approach. The Company also strives to increase revenue by strengthening its development capabilities through efforts such as collaborating with other companies, launching mixed use property development projects of retail and residential properties, etc., and participating in regional redevelopment projects.

(Note) Forward-looking statements in this section are based on judgments of the Group as of the date of the announcement of this document.

2. Matters Relating to Summary Information (Notes)

(1) Changes in significant subsidiaries during the six months ended September 30, 2014

Not applicable

(2) Application of specific accounting treatment to the preparation of quarterly consolidated financial statements

Not applicable

(3) Changes in accounting principles and changes or restatements of accounting estimates

(Change in accounting principles)

(Application of Accounting standard for retirement benefits, etc.)

From the three months ended June 30, 2014, the provisions set forth in the text of Paragraph 35 of the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26 on May 17, 2012. Hereinafter the “Accounting Standard for Retirement Benefits”) and of Paragraph 67 of the Guideline on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25 on May 17, 2012. Hereinafter the “Guideline on Accounting Standard for Retirement Benefits”) have been applied, and the method for calculating retirement benefit obligations and service costs has been changed. The method of allocating expected retirement benefits to periods has been changed from the fixed-amount method to the projected benefit method. The discount rate has been changed from a discount rate based on the average period until estimated dates of benefit payments to a single weighted average discount rate reflecting the estimated timing of benefit payments and amounts for each timing (a discount rate in consideration of duration).

As the application of the Accounting Standard for Retirement Benefits, etc. follows the transitional treatment as provided for in Paragraph 37 of the Accounting Standard for Retirement Benefits, we have made an adjustment for the amount affected by the change in the method for calculating retirement benefit obligations and service costs to retained earnings at the beginning of the six months ended September 30, 2014.

As a result, net defined benefit liability declined ¥224 million, and retained earnings rose ¥144 million at the beginning of the six months ended September 30, 2014. The effect on operating income, ordinary income, and income before income taxes and minority interests in the six months ended September 30, 2014 is minor.

3. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheets

(Million yen)

| | Previous fiscal year (As of March 31, 2014) | Six months ended September 30, 2014 (As of September 30, 2014) |
|---|--|--|
| Assets | | |
| Current assets | | |
| Cash and deposits | 18,313 | 18,993 |
| Notes and operating accounts receivable | 18,058 | 6,509 |
| Real estate for sale | 31,558 | 25,080 |
| Real estate for sale in process | 46,559 | 54,292 |
| Costs on uncompleted construction contracts | 300 | 445 |
| Raw materials and supplies | 80 | 61 |
| Lease investment assets | 3,689 | 3,911 |
| Deposits paid | 1,695 | 1,006 |
| Deferred tax assets | 933 | 1,107 |
| Other | 4,163 | 4,199 |
| Allowance for doubtful accounts | (1) | (1) |
| Total current assets | 125,351 | 115,676 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 703,758 | 701,267 |
| Accumulated depreciation | (383,671) | (390,739) |
| Buildings and structures (net) | 320,087 | 310,527 |
| Machinery, equipment and vehicles | 13,630 | 13,480 |
| Accumulated depreciation | (11,799) | (11,828) |
| Machinery, equipment and vehicles (net) | 1,831 | 1,652 |
| Land | 472,133 | 471,824 |
| Lease assets | 332 | 356 |
| Accumulated depreciation | (185) | (207) |
| Lease assets (net) | 147 | 148 |
| Construction in progress | 14,099 | 25,120 |
| Other property, plant and equipment | 15,458 | 15,353 |
| Accumulated depreciation | (12,722) | (12,942) |
| Other property, plant and equipment (net) | 2,736 | 2,411 |
| Total property, plant and equipment | 811,035 | 811,686 |
| Intangible assets | 5,427 | 5,303 |
| Investments and other assets | | |
| Investment securities | 19,986 | 20,902 |
| Long-term prepaid expenses | 16,176 | 15,848 |
| Deferred tax assets | 394 | 397 |
| Other | 7,136 | 7,441 |
| Total investments and other assets | 43,692 | 44,590 |
| Total non-current assets | 860,155 | 861,580 |
| Total assets | 985,507 | 977,256 |

(Million yen)

| | Previous fiscal year (As of March 31, 2014) | Six months ended September 30, 2014 (As of September 30, 2014) |
|---|--|--|
| Liabilities | | |
| Current liabilities | | |
| Notes and operating accounts payable-trade | 11,850 | 4,986 |
| Short-term loans payable | 473 | 2,215 |
| Lease obligations | 48 | 51 |
| Current portion of long-term loans payable | 57,412 | 82,378 |
| Income taxes payable | 1,657 | 3,633 |
| Deferred tax liabilities | 377 | 376 |
| Other | 29,201 | 24,180 |
| Total current liabilities | 101,021 | 117,821 |
| Non-current liabilities | | |
| Bonds payable | 100,967 | 100,969 |
| Long-term loans payable | 348,400 | 323,710 |
| Lease obligations | 143 | 141 |
| Lease and guarantee deposits received | 69,694 | 70,399 |
| Negative goodwill | 22,935 | 22,110 |
| Deferred tax liabilities | 63,841 | 64,033 |
| Provision for directors' retirement benefits | 67 | 16 |
| Net defined benefit liability | 6,404 | 6,341 |
| Asset retirement obligations | 3,180 | 3,247 |
| Other | 40,258 | 35,052 |
| Total non-current liabilities | 655,893 | 626,023 |
| Total liabilities | 756,915 | 743,845 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 48,760 | 48,760 |
| Capital surplus | 34,109 | 34,109 |
| Retained earnings | 97,150 | 101,621 |
| Total shareholders' equity | 180,020 | 184,490 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 976 | 1,565 |
| Foreign currency translation adjustment | 4,447 | 4,287 |
| Remeasurements of defined benefit plans | 171 | 153 |
| Total accumulated other comprehensive income | 5,596 | 6,005 |
| Minority interests | 42,975 | 42,915 |
| Total net assets | 228,591 | 233,411 |
| Total liabilities and net assets | 985,507 | 977,256 |

(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income
(Quarterly consolidated statements of income)
(Six months ended September 30, 2013 and 2014)

(Million yen)

| | Six months ended September 30, 2013 (From April 1, 2013 to September 30, 2013) | Six months ended September 30, 2014 (From April 1, 2014 to September 30, 2014) |
|---|---|---|
| Operating revenue | 82,011 | 74,379 |
| Operating cost | 55,317 | 53,019 |
| Operating gross profit | 26,693 | 21,359 |
| Selling, general and administrative expenses | 8,873 | 8,089 |
| Operating income | 17,820 | 13,270 |
| Non-operating income | | |
| Interest income | 34 | 11 |
| Dividends income | 55 | 50 |
| Amortization of negative goodwill | 963 | 890 |
| Equity in earnings of affiliates | 61 | 37 |
| Other | 187 | 102 |
| Total non-operating income | 1,303 | 1,091 |
| Non-operating expenses | | |
| Interest expenses | 3,813 | 3,149 |
| Other | 627 | 70 |
| Total non-operating expenses | 4,486 | 3,219 |
| Ordinary income | 14,637 | 11,142 |
| Extraordinary income | | |
| Gain on sales of non-current assets | — | 379 |
| Total extraordinary income | — | 379 |
| Extraordinary loss | | |
| Loss on retirement of non-current assets | 255 | 491 |
| Total extraordinary losses | 255 | 491 |
| Income before income taxes and minority interests | 14,382 | 11,030 |
| Income taxes | 4,883 | 3,335 |
| Income before minority interests | 9,499 | 7,695 |
| Minority interests in income | 660 | 735 |
| Net income | 8,838 | 6,959 |

(Quarterly consolidated statements of comprehensive income)
(Six months ended September 30, 2013 and 2014)

(Million yen)

| | Six months ended September 30, 2013 (From April 1, 2013 to September 30, 2013) | Six months ended September 30, 2014 (From April 1, 2014 to September 30, 2014) |
|---|---|---|
| Income before minority interests | 9,499 | 7,695 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (156) | 588 |
| Foreign currency translation adjustment | 1,101 | (160) |
| Remeasurements of defined benefit plans | — | (18) |
| Total other comprehensive income | 944 | 409 |
| Comprehensive income | 10,444 | 8,104 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of the parent | 9,788 | 7,368 |
| Comprehensive income attributable to minority interests | 656 | 735 |

(3) Quarterly consolidated statement of cash flows

(Million yen)

| | Six months ended September 30, 2013 (From April 1, 2013 to September 30, 2013) | Six months ended September 30, 2014 (From April 1, 2014 to September 30, 2014) |
|--|---|---|
| Net cash provided by (used in) operating activities | | |
| Income before income taxes and minority interests | 14,382 | 11,030 |
| Depreciation and amortization | 12,330 | 11,592 |
| Amortization of negative goodwill | (963) | (890) |
| Amortization of goodwill | 70 | 65 |
| Decrease in allowance for doubtful accounts | (0) | (0) |
| Increase in provision for retirement benefits | 452 | — |
| Increase (decrease) in net defined benefit liability | — | 132 |
| Interest and dividends income | (90) | (62) |
| Interest expenses | 3,813 | 3,149 |
| Equity in earnings of affiliates | (61) | (37) |
| Gain on sales of non-current assets | — | (379) |
| Loss on retirement of non-current assets | 255 | 491 |
| Decrease (increase) in lease investment assets | (138) | (154) |
| Decrease (increase) in notes and accounts receivable-trade | 10,225 | 11,549 |
| Decrease (increase) in inventories | 8,549 | (1,675) |
| Decrease in notes and accounts payable-trade | (6,511) | (6,864) |
| Increase (decrease) in lease and guarantee deposits received | (2,726) | (88) |
| Other, net | 589 | (3,248) |
| Subtotal | 40,178 | 24,612 |
| Interest and dividends income received | 116 | 87 |
| Interest expenses paid | (3,777) | (3,147) |
| Income taxes paid | (3,637) | (1,764) |
| Net cash provided by (used in) operating activities | 32,880 | 19,787 |
| Net cash provided by (used in) investing activities | | |
| Proceeds from repayment of securities | 3,900 | — |
| Purchases of property, plant and equipment | (30,074) | (18,803) |
| Proceeds from sales of property, plant and equipment | — | 798 |
| Purchases of investment securities | (1) | (44) |
| Other, net | 1,595 | 147 |
| Net cash provided by (used in) investing activities | (24,580) | (17,901) |
| Net cash provided by (used in) financing activities | | |
| Increase (decrease) in short-term loans payable | (10,321) | 1,742 |
| Proceeds from long-term loans payable | 100,801 | 20,000 |
| Repayments of long-term loans payable | (28,078) | (19,600) |
| Proceeds from issuance of bonds | 1,000 | — |
| Redemption of bonds | (62,123) | — |
| Cash dividends paid | (2,961) | (2,632) |
| Cash dividends paid to minority shareholders | (731) | (795) |
| Other, net | (27) | (26) |
| Net cash provided by (used in) financing activities | (2,441) | (1,312) |
| Effect of exchange rate change on cash and cash equivalents | 210 | (51) |
| Net increase (decrease) in cash and cash equivalents | 6,068 | 520 |
| Cash and cash equivalents at beginning of period | 12,809 | 18,798 |
| Cash and cash equivalents at end of period | 18,877 | 19,319 |

(4) Notes regarding quarterly consolidated financial statements

(Notes regarding the premise of a going concern)

Not applicable

(Note if there is a considerable change to shareholders' equity)

Not applicable

(Segment information, etc.)

Segment information

I. Six months ended September 30, 2013 (from April 1, 2013 to September 30, 2013)

1. Information on operating revenue and profits or losses by reported segment

(Million yen)

| | Reported segments | | | Other (Note 1) | Total | Adjustment (Note 2) | Amount on quarterly consolidated statements of income (Note 3) |
|--|-------------------|----------------------------------|--------|-------------------|--------|------------------------|--|
| | Leasing | Residential property sales | Total | | | | |
| Operating revenue | | | | | | | |
| Operating revenue from third parties | 52,925 | 22,466 | 75,392 | 6,618 | 82,011 | — | 82,011 |
| Inter-segment internal revenues and transfers | 414 | 9 | 423 | 2,060 | 2,484 | (2,484) | — |
| Total | 53,339 | 22,476 | 75,816 | 8,679 | 84,495 | (2,484) | 82,011 |
| Segment profits | 17,157 | 2,808 | 19,866 | 772 | 20,739 | (2,918) | 17,820 |

(Note1) Other is the business segment that is not included in the reported segments and other business activities that generate revenue. It includes design of building and other, construction and supervision of construction, office building maintenance and air-conditioning services, and management of restaurant facilities as incidental facilities of office buildings.

(Note2) Adjustment of ¥2,918 million in segment profits includes elimination of inter-segment transactions of minus ¥17 million and company-wide expenses of ¥2,935 million which is not allotted to the reported segments and other. Company-wide expenses are primarily selling, general and administrative expenses that are not attributable to reported segments and other.

(Note3) Segment profits are adjustment of operating income reported on quarterly consolidated statement of income.

2. Information on impairment loss of non-current assets, goodwill and other information in reported segments

Not applicable

II. Six months ended September 30, 2014 (from April 1, 2014 to September 30, 2014)

1. Information on operating revenue and profits or losses by reported segment

(Million yen)

| | Reported segments | | | Other (Note 1) | Total | Adjustment (Note 2) | Amount on quarterly consolidated statements of income (Note 3) |
|--|-------------------|----------------------------------|--------|-------------------|--------|------------------------|--|
| | Leasing | Residential property sales | Total | | | | |
| Operating revenue | | | | | | | |
| Operating revenue from third parties | 43,082 | 25,071 | 68,154 | 6,225 | 74,379 | — | 74,379 |
| Inter-segment internal revenues and transfers | 531 | 2 | 533 | 1,806 | 2,340 | (2,340) | — |
| Total | 43,613 | 25,074 | 68,687 | 8,031 | 76,719 | (2,340) | 74,379 |
| Segment profits | 12,028 | 3,160 | 15,188 | 634 | 15,822 | (2,551) | 13,270 |

(Note1) Other is the business segment that is not included in the reported segments and other business activities that generate revenue. It includes design of building and other, construction and supervision of construction, office building maintenance and air-conditioning services, and management of restaurant facilities as incidental facilities of office buildings.

(Note2) Adjustment of ¥2,551 million in segment profits includes elimination of inter-segment transactions of minus ¥18 million and company-wide expenses of ¥2,569 million which is not allotted to the reported segments and other. Company-wide expenses are primarily selling, general and administrative expenses that are not attributable to reported segments and other.

(Note3) Segment profits are adjustment of operating income reported on quarterly consolidated statement of income.

2. Information on impairment loss of non-current assets, goodwill and other information in reported segments

Not applicable

(Significant subsequent events)

Issue of domestic straight bonds

The Company issued domestic straight bonds as described below by resolution approved at a Board of Directors meeting held on September 16, 2014.

1. 16th series of unsecured bonds (with special agreement on limited equal priority among bonds)

- | | |
|-------------------------|-------------------------------|
| (1) Issue date | October 31, 2014 |
| (2) Total amount issued | 10,000 million yen |
| (3) Issue price | ¥99.96 per face value of ¥100 |
| (4) Interest rate | 0.21% |
| (5) Maturity date | September 20, 2019 |
| (6) Use | Capital expenditures |

2. 17th series of unsecured bonds (with special agreement on limited equal priority among bonds)

- | | |
|-------------------------|-----------------------------|
| (1) Issue date | October 31, 2014 |
| (2) Total amount issued | 15,000 million yen |
| (3) Issue price | ¥100 per face value of ¥100 |
| (4) Interest rate | 0.61% |
| (5) Maturity date | September 20, 2024 |
| (6) Use | Capital expenditures |

3. 18th series of unsecured bonds (with special agreement on limited equal priority among bonds)

- | | |
|-------------------------|-----------------------------|
| (1) Issue date | October 31, 2014 |
| (2) Total amount issued | 5,000 million yen |
| (3) Issue price | ¥100 per face value of ¥100 |
| (4) Interest rate | 1.09% |
| (5) Maturity date | September 20, 2029 |
| (6) Use | Capital expenditures |